

Private Health Insurance in Low- and Middle-Income Countries?

by

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Why is health (insurance) a crucial issue for development?

- n High and often “hidden costs” of illness for the poor
- n From estimating “needs” to analyzing channels/conditions
- n Interesting institutional innovations world wide in coping with health risks

Outline

- 1) Health care financing as a key challenge**
- 2) PHI Patterns and Trends**
- 3) How to improve private health insurance development in developing countries?**
- 4) Conclusions**

1) Health care financing as a key challenge

- **Problems in developing countries**
 - Public health leaves large part of the population uncovered
 - Ressources not sufficient
 - Bias against the poor
 - Out of Pocket Expenditure (OOP) remains the main source
- **Increasing interest in role of private health insurance (OECD 2004, Preker and Carrin 2004, Jütting 2005), but**
- **.... Review of characteristics and significance of PHI for developing countries (regional approach) largely missing**

What is PHI?



Private Health Insurance

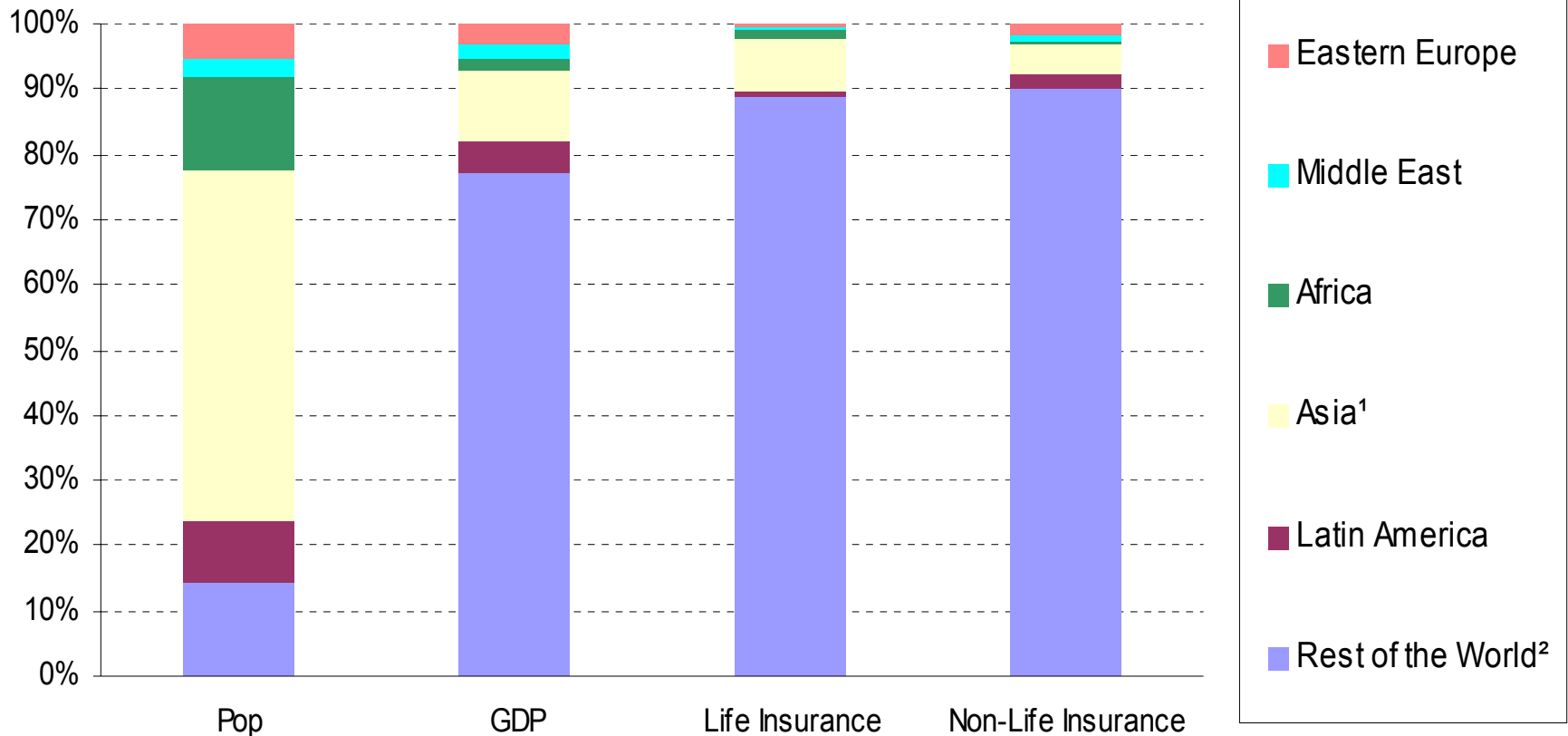
**Source of Funds:
private (usually
voluntary) contributions**

**Risk-Sharing
(inter-temporal and/or
inter-personal)**



PHI includes more than mere for-profit corporations

2) Insurance Markets Global Overview



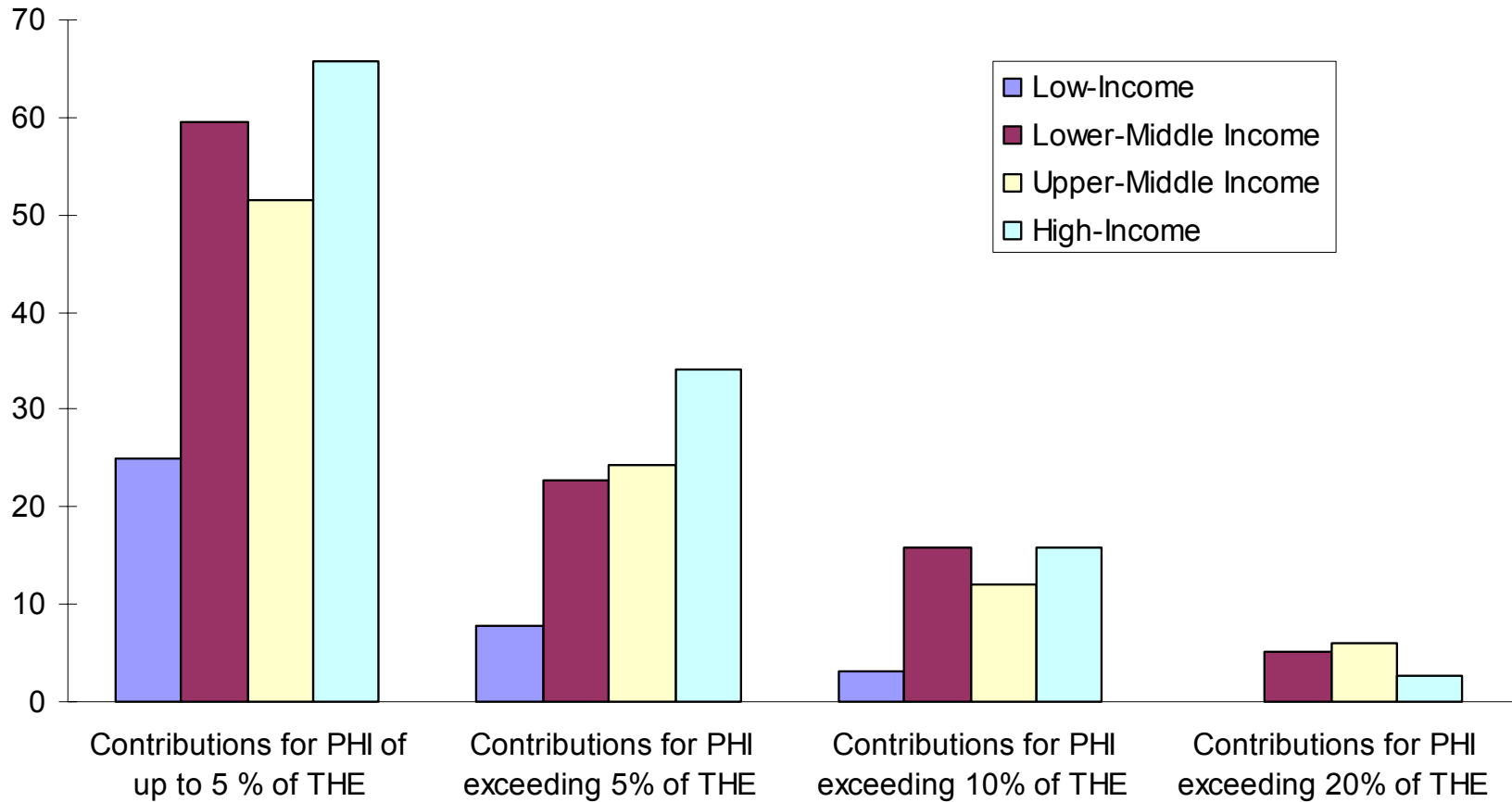
Source: Own Calculation

1: Asia without Japan

2: Rest of the World mainly covering OECD countries

PHI – Patterns

% of all countries



PHI – Patterns

Among the countries with high spending on PHI (~20% of THE) we find:

n Zimbabwe (19%)

Low-Income Country

(THE ranges between 10 and 150 Int. Dollar)

n Brazil (21%), Namibia (23.3%),
and South Africa (42.3%)

Lower-Middle-Income Countries

(THE ranges between 50 and 500 Int. Dollar)

n Chile (22.6%), Uruguay (37.4%)

Upper-Middle-Income Countries

(THE ranges between 200 and 1000 Int. Dollar)

n USA (35.6%)

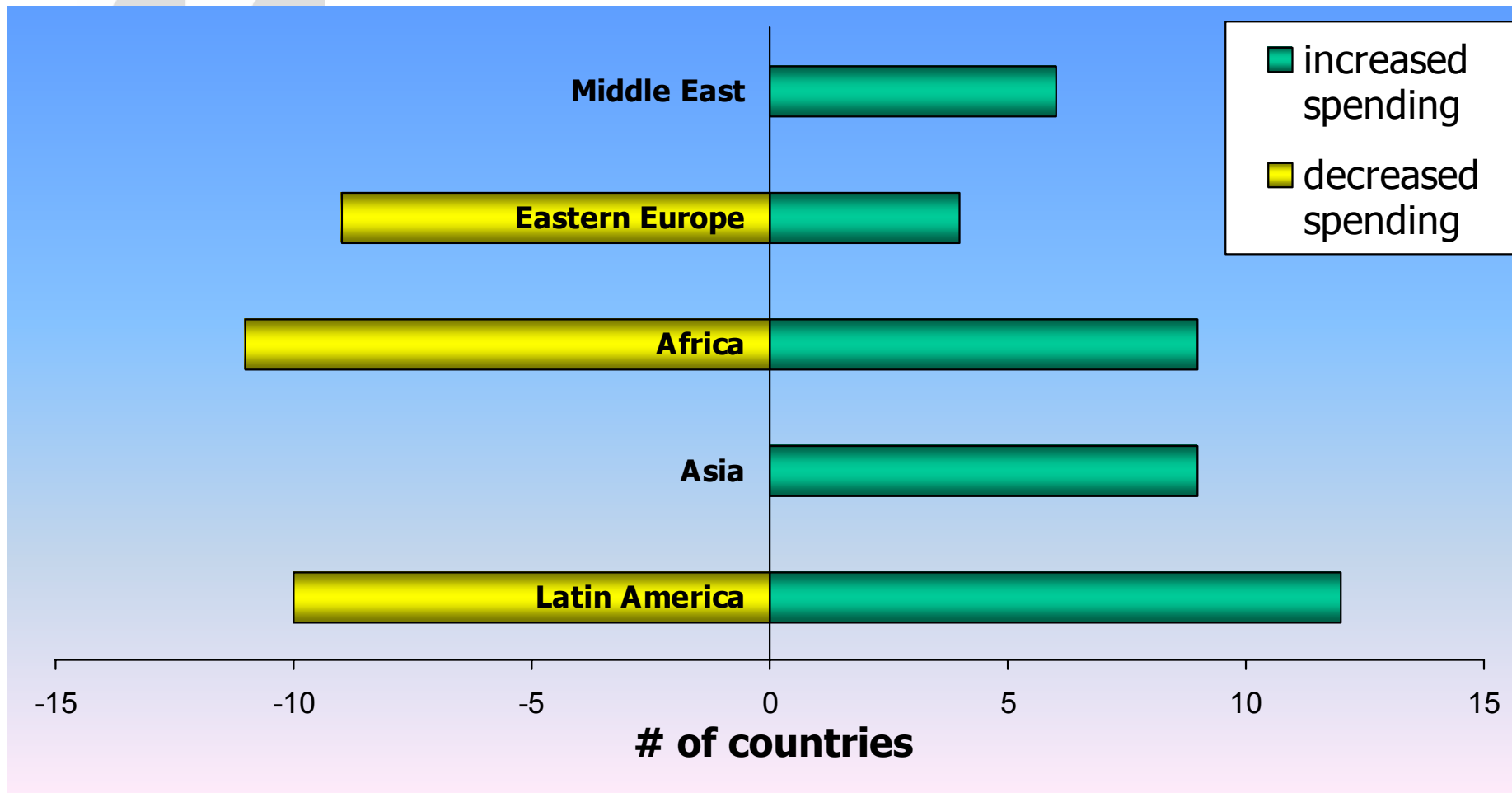
High-Income Country

(THE ranges between 638 and 4487 Int. Dollar)

PHI – Patterns: Regional breakdown

- **Latin America:** wide distribution of PHI (PHI > 10% of THE in 7 countries) – mostly HMO
- **Asia:** surprisingly low significance of PHI with rare exceptions – mostly government initiated programs
- **Africa:** small scale schemes, community based programs (Mutual Health Insurance, MHI); low coverage and locally restricted outreach
- **Eastern Europe:** PHI disappointment after market liberalization; reactivation of state involvement
- **Middle East:** PHI mainly for foreign workers or travel abroad

PHI/THE – Trends (1997-2001)



Summary: Patterns and Trends

Overall growing importance of PHI; but still at a low level

- *Role of PHI not primarily dependent on income level*
- *Policy choice*
- *Cultural and historical factors*

Need for differentiation within developing countries

- *Low income versus middle income*
- *Regions (Sub-Sahara Africa versus South-Asia)*
- *Institutional capacity*

3) How to improve PHI development?

Depends on specific regional situation, i.e.:

- n the role PHI should play in the health system
- n a country's institutional capacity to correct market failures
- n the development stage of the insurance industry

Sub-Saharan Africa

PHI improvement of status quo; but important limitations

- Scaling up of schemes and institutional strengthening
- Improving link to the public health sector (PPP)
- Linking up with PRSPs and decentralization
- Donor support

Latin America

Evaluation of PHI rather disappointing (access and inequality, efficiency, quality, responsiveness)

- Improving access
- Competition
- Consumer protection
- Cost containment

Asia

Promising role for PHI

- Liberalization and market development
- Innovation at local level – micro-insurance
- Recent reforms in India, China and Indonesia
- But: important trade-offs to be handled, e.g. supporting new industry versus ensuring regulation and consumer protection

Important role of the state in regulation

- n **reduce inequalities and prevent discrimination** (i.e., quotas, prevent fully risk-rated premiums, non-discrimination regulation)
- n **set an institutional framework that allows efficient and stable PHI development** (i.e., competition, financial requirements, clear definition of PHI's role in health care system)
- n **make sure that possible gaps in health care coverage are filled** (i.e., complementary coverage for the sick and the elderly, public vaccination and immunization campaigns)

4) Conclusions

Currently, PHI only has marginal significance in low- and middle-income countries with some exceptions, but

.....PHI gains importance and deserves greater attention!

Need for differentiation of role of PHI

- *Low income versus middle income (lessons from OECD countries)*
- *Regional approach*
- *Structure of schemes , price setting mechanism, premium collection*

PHI offers both opportunities and threats that need to be identified and remedied

Discussion

- n What are basic regulatory requirements?
- n How can PHI better serve the needs of the poor?
- n How can PHI schemes be better integrated into a country's health system?

PHI – Pro Poor? Some Conclusions

Increasing poverty impact requires

- n scaling up of schemes and institutional strengthening
- n improvement of scheme design; e.g. link to MFI, broader coverage, modalities of paying fees
- n training and education
- n improving link to the public health sector (PPP)
- n smart subsidies (voucher for the poorest)
- n linking up with PRSPs and decentralization
- n donor support

PHI – Patterns and Trends

Global Overview

	Low-Income Countries		Lower-Middle Income Countries		Upper-Middle Income Countries		High-Income Countries		All Countries	
	n	%	n	%	n	%	n	%	n	%
Total	64	100	57	100	33	100	38	100	192	100
Contributions for PHI of up to 5 %	16	25.0	34	59.6	17	51.5	25	65.8	92	47.9
Contributions for PHI exceeding 5% of THE	5	7.8	13	22.8	8	24.2	13	34.2	39	20.3
Contributions for PHI exceeding 10% of THE	2	3.1	9	15.8	4	12.1	6	15.8	21	10.9
Contributions for PHI exceeding 20% of THE	0	0.0	3	5.2	2	6.1	1	2.6	6	3.1

PHI – Patterns and Trends

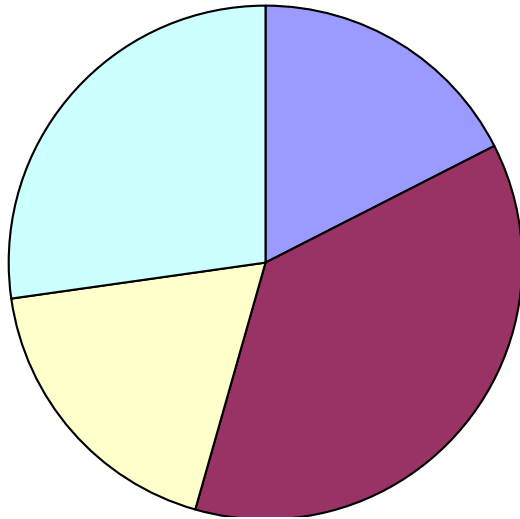
- n 39 countries with PHI spending exceeding 5% of THE
- n almost half (46%) of these countries belonging to the low- or lower-middle-income categories
- n almost 25% of all middle-income countries have PHI spending >5%
- n figures similar across all country groups (i.e., 34% of high income countries have PHI spending >5%)

Private Health Insurance

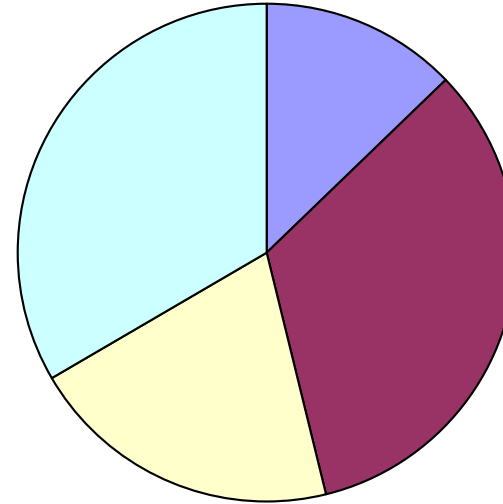
Dimension			
Type of Supplier	<i>Public</i>	<i>Parastatal</i>	<i>Private</i>
Level of Compulsion	<i>Mandatory</i>	<i>Mandatory, but choice between packages</i>	<i>Voluntary</i>
Extend of Risk Pooling	<i>Large Pool</i>	<i>Small Pool</i>	<i>None</i>
Type of Risk Pooling Arrangement	<i>Community-Rated Premiums</i>	<i>Group-Specific Premiums</i>	<i>Individual-Specific Premiums</i>
Form of Insurance Contract	<i>Community</i>	<i>Group</i>	<i>Individual</i>
Degree of Coverage	<i>Comprehensive</i>	<i>Supplementary</i>	<i>Complementary</i>
Co-Payments	<i>Yes</i>	<i>No</i>	
Type of Insurance Business	<i>Profit</i>	<i>Non-Profit</i>	<i>Charity</i>

PHI – Patterns

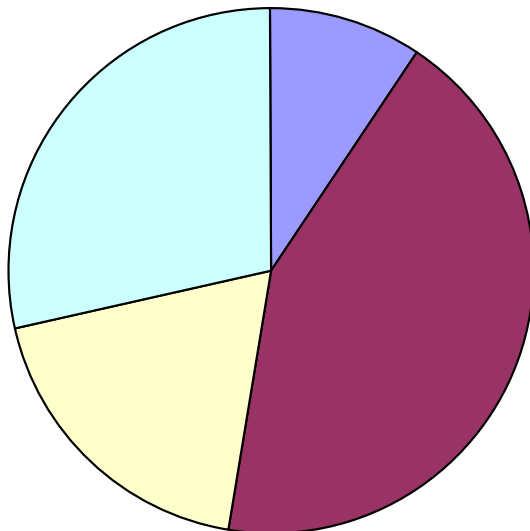
up to 5% of THE



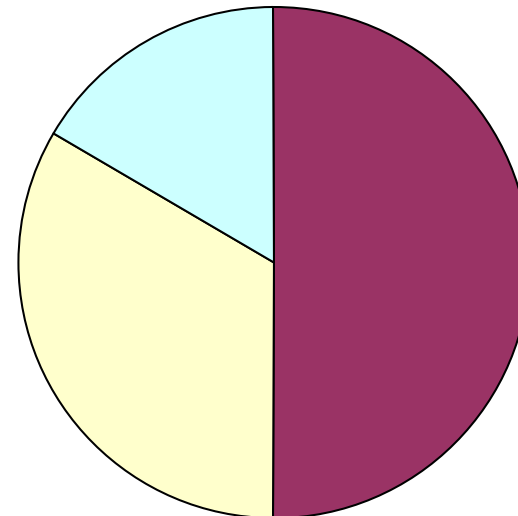
exceeding 5% of THE



exceeding 10% of THE

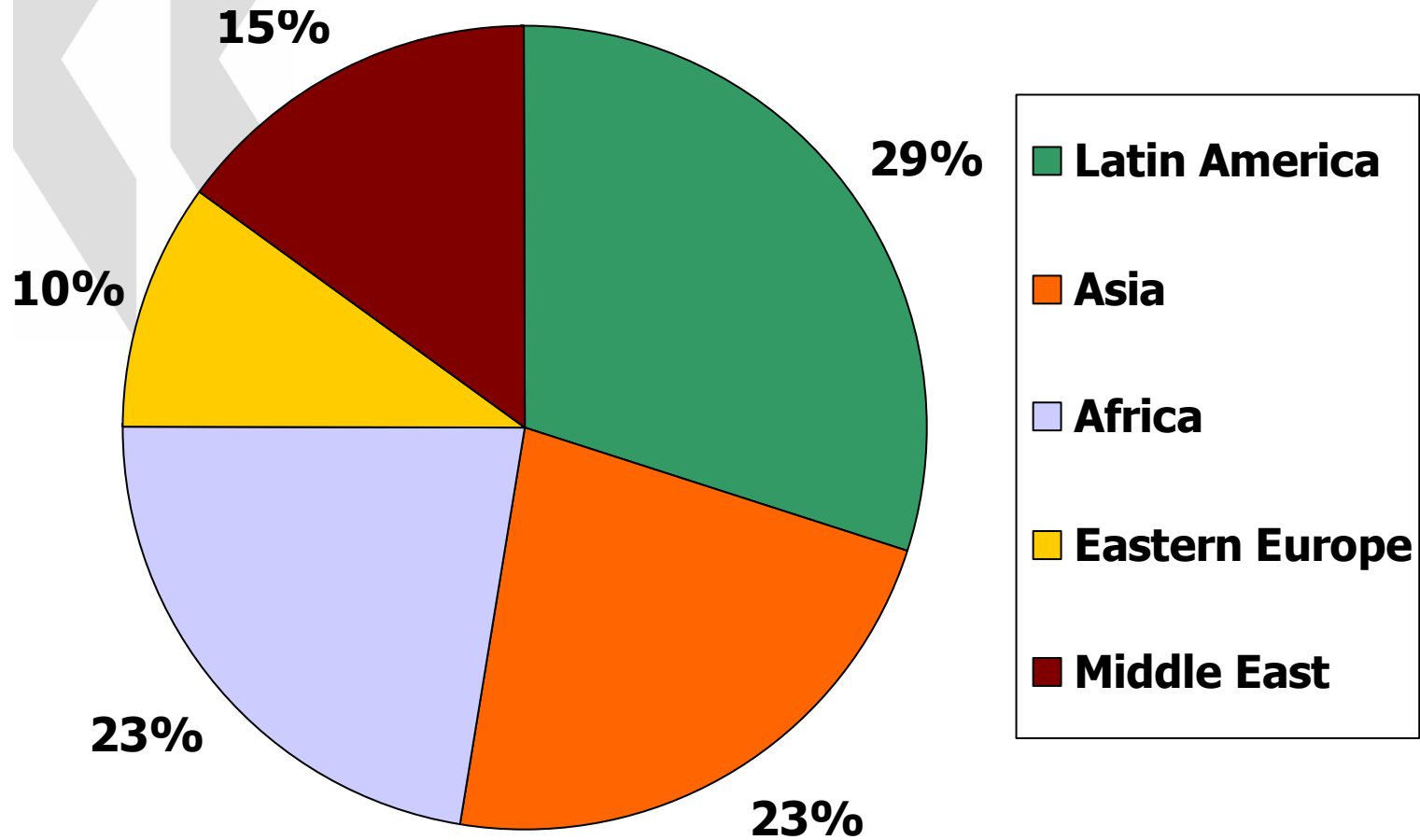


exceeding 20% of THE



- Low-Income
- Lower-Middle Income
- Upper-Middle Income
- High-Income

PHI/THE – Regional Trends



Regulatory Issues

n Regulation should establish

- *transparency*
- *long-term prospects*
- *public oversight*

n Timing of regulation is crucial – prior to introducing PHI, the state should

- *assess local needs of health care financing*
- *define role of PHI's role in health care system*
- *identify regulatory requirements*
- *implement regulatory framework*

n Negative examples from Latin America (i.e., Chile, Argentina, Colombia where regulation was implemented years after initial introduction of PHI) – loss of trust in insurance system